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C O T T O N

Are We to Have a Program by and for Producers or
A Program by and for Processors and Handlers?

Excerpts from a speech delivered by Mr. C. A. Cobb, Director, Division of Cotton
U.S. Department of Agriculture, Agricultural Adjustment Administration, Washington, D.C.

H I G H L I G H T S

ANY MAN who knows anything about cotton knows that we must take a long-time view of the cotton situation. We are not interested in temporary expedients. We want a policy definite and fixed and based upon equality with industry. Our program would be an empty mockery if the South were benefited for only a year or so and then we found that we were without the means to go on. Yet the South could not long endure the effect of cotton crops which returned as little as they bought in 1931 and 1932. Nineteen hundred and thirty-one and 1932 are black years in the South's history, yet it is important to note that they were years of unusually heavy exports. We sent 9,193,000 bales abroad in 1931 and 8,895,000 bales in 1932. With few exceptions, supporting data show that the years of the largest cotton exports in the past have always meant fewer dollars to the men who actually grew the cotton.

THE FARMER paid heavily for those extra acres that he cultivated in the seven years when exports averaged 9,356,000 bales. He planted, cultivated, and picked approximately 5,500,000 acres more annually than he did in the period when exports were around 5,738,000 bales. For the privilege of the extra labor, heavy production, and heavy exports he paid a yearly penalty of \$84,570,000.

IT PROBABLY is true that the years of the largest cotton exports have meant the years of the largest profits to the handlers of cotton in general and the exporters of cotton in particular. The exporter ordinarily handles a bale of cotton on a fixed margin. A child can see that the exporter's interest, so far as his own business is concerned, is in volume.

IT IS TRUE, of course, that the reduction in the number of bales of cotton grown has adversely affected the business of cotton exporters and other cotton handlers. It is true that this in turn has caused some unemployment, perhaps, but does it follow that the farmer is duty-bound to support individuals and institutions beyond him and be ground down into the very dirt to do it?

A PRODUCER might ask opponents of the cotton adjustment program this question: Are we to have a program by and for producers or a program by and for processors and handlers? That is a real issue and one that we are not in the least inclined to dodge.

JULY 1, 1935

agricultural commodities in the base period.

- (4) To enable cotton producers to operate on a cash basis.

when the Roosevelt administration took over its task in 1933 - a hopeless task many said.

The world carry-over of American cotton in the 1929-30 cotton season was less than 5,000,000 bales. By the 1932-35 season it had risen to a mountainous total of 13,000,000 bales.

The income to the cotton grower declined as that surplus rose. Gross farm income from cotton and cottonseed fell from \$1,470,000,000 in 1928-29 to a meager \$464,000,000 for the crop of 1932. This meant a decline in the average gross return from cotton and cotton seed to the representative cotton producing family from \$669 yearly to \$228. Six hundred and sixty-nine dollars is an income that is too low, but it is riches compared to two hundred and twenty-eight dollars.

At the low point in June 1932, the average farm price was 4.6 cents per pound. And yet there are those who keep harping about the heavy exports that year. They carefully refrain, however, from mentioning the 4.6¢ price.

On March 4, 1933, the doors of every bank in the Nation were closed and business failures were daily occurrences all over the South. The situation then demanded prompt and drastic action. The plow-up program was our part of the answer. The farmers responded by plowing under 10,500,000 acres of growing cotton. Even after turning under 10,500,000 acres, production was 13,047,000 bales. Had it not been for the plow-up, there would have been a 17,600,000 bale crop, and a 29,000,000 bale supply. The price would have gone down even from 4.6 cents. It is quite clear, therefore, that cotton farmers actually plowed under a disaster. It is equally clear that much of the improvement in conditions since then dates back to that unprecedented step.

We, in the South, have wrestled with the ills of cotton all our lives. About all we could do was to meet, talk and "resolute." Of course, we knew what we wanted to do. We wanted to curtail acreage. Every paper in the South and every public spirited citizen has, at one time or another, participated in a campaign to cut cotton acreage. The Texas Weekly of Saturday, January 16, 1932, carried an article entitled "A Brutal Fact to be Faced." It said, "Next year's supply of American Cotton has already been produced." I commend this article to you and suggest that you read it. In fact, I suggest that the Texas Weekly republish the entire article and other similar articles which it was publishing at that time.

The State of Texas passed a law in 1932 to prohibit the production of cotton. I did not subscribe to such a policy then and could not do so now. To have carried out such a policy would have put the whole burden of reducing excessive supplies on the cotton producer, and certainly nothing could be more unjust. The present method of gradually reducing supplies and distributing the cost through the operation of the processing tax is the only fair way to do it. There was a reduction campaign, for example, after the fifteen million bale crop of 1911 and another after the sixteen million bale crop of 1914. Such plans brought results, temporarily. But with a rise in the price of cotton, the chisellers invariably broke down all voluntary efforts.

The intelligent and sensible cotton grower who reduced his acreage was penalized by the greedy or by the obstinate producer who increased cotton planting. These efforts were doomed to failure at the outset. There is only one agency which can supply the machinery and other essentials for successful belt-wide cooperation. That agency is the Federal Government.

Many rather loose statements are being made which would lead one to think that the State of Texas alone is interested in cotton exports--that Texas alone will suffer from decreased exports. Wherever produced, every bale of cotton is the competitor of every other bale of cotton. While it is assumed that approximately 80 percent of the Texas crop is exported, Texas cotton comes in direct competition, both at home and abroad, with cotton from all the other cotton-producing States.

The price of cotton is not fixed in Texas or in any of the other cotton-producing States. The price of cotton is fixed in the world market.

If you should work out a cotton program for Texas alone, that is, one to benefit Texas producers alone, it would then be necessary for the other States to protect themselves against Texas. However, you know and I know that your legislative committee has no such idea in mind. They realize that we must have a belt-wide cotton program if we are to have a successful one.

It is not necessary to go into detail about either the voluntary cotton control programs for 1934, or 1935, or the Bankhead Act. You are familiar with their aims and their operations. A primary objective was the paring down of the carry-over of American cotton. The salient facts about the program thus far can be told by figures. Here are some of the most striking:

1. World carry-over of American cotton:

Aug. 1, 1933-----	bales	11,588,000
Aug. 1, 1934-----	"	10,634,000
Aug. 1, 1935-----	(estimated)- "	8,500,000 to 9,000,000

2. Average price received by producers per pound of lint:

In 1932-33 crop year-----	cents	6.5
In 1933-34 crop year-----	"	9.7
In 1934-35 crop year---(Preliminary estimate)	"	12.6

3. Number of acres taken out of cotton production and made available for producing food and feed crops and for soil building:

1933-34-----	10,497,000
1934-35-----	14,548,000

4. Total farm value of crops, plus benefits and cotton-option profits since these were distributed:

1932-33 crop-----	\$483,912,000
1933-34 crop-----	893,675,000
1934-35 crop-----	882,298,000

5. Number of adjustment contracts in effect
May 21, 1934 (preliminary) ----- 1,004,300

6. Quota of tax-exempt cotton under Bankhead
Act (478-pound bales):

1934-----Bales 10,460,251
1935-----Bales 10,983,264

7. Bankhead Act Referendum:

Number of voters who cast ballots in 1934 1,521,954
Percentage of voters who favored con-
tinuance of act's provisions in 1935----- 89.5

Any man who knows anything about cotton knows that we must take a long-time view of the cotton situation. We are not interested in temporary expedients. We want a policy definite and fixed and based upon equality with industry. Our program would be an empty mockery if the South were benefited for only a year or so and then we found that we were without means to go on. Yet, the South could not long endure the effect of cotton crops which returned as little as they brought in 1931 and 1932. Nineteen hundred and thirty-one and 1932 are black years in the South's history, yet it is important to note that they were years of unusually heavy exports. We sent 9,193,000 bales abroad in 1931 and 8,895,000 bales in 1932. With few exceptions, supporting data show that the years of the largest cotton exports in the past have always meant fewer dollars to the men who actually grew the cotton. One exception was heavy exports during the world war. The other and most notable exception accompanied our heavy so-called loans abroad during part of the Hoover administration.

But heavy exports were of little benefit to Texas producers either in 1931-32 or 1932-33. They, indeed, were made at great sacrifice. A recent statement by Mr. W. L. Clayton was that the Texas cotton crop had on several occasions brought more than \$500,000,000 annually. That is true. In one of these years, 1923, the value of the crop was \$602,650,000. In 1919 the crop brought \$533,000,000 and \$568,000,000 in 1924.

But what Mr. Clayton neglected to tell you was that exports amounted to only 5,656,000 bales in the 1923-24 season, the season when the value of the Texas cotton was over \$600,000,000. He also neglected to state that exports were only 6,545,000 bales in 1919-20 and that they were not unusually high - 8,005,000 bales - in 1924-25. Now let us look a little closer still. The value of the Texas cotton crop of lint was not \$500,000,000 in 1931 but was a mere \$148,155,000. In 1932, one of our biggest export years, it dropped on down to \$140,169,000.

In 1933, Texas farmers helped plow under 10,500,000 acres of cotton and the value of the Texas lint crop of 4,428,000 bales, excluding benefit payments, rose to \$209,000,000 and with payments equaled \$271,000,000. In 1934 in the presence of an unprecedented drought, it amounted to \$185,000,000

with payments. Texas producers received \$45,000,000 more for 2,395,000 bales in 1934 than for 4,467,857 bales in 1932, the last year before our program was launched. It should be noted that buyers and handlers of cotton had a large volume of cotton in both 1931-32 and 1932-33 and that they did not complain. Out of their sweat and out of the fertility of their lands, cotton producers paid a precious price for these increased exports.

From the crop year 1900-01 to the crop year 1933-34 there were seven years when cotton exports were above 8,600,000 bales. The annual average of exports in these years was 9,356,000 bales. An annual average of 22,668,976 acres was required to produce the quantity of cotton exported. The farm value of these annual average exports was \$474,577,000.

In the same period there were 15 years when exports were between 6,600,000 and 8,599,000 bales. In those years the exports averaged 7,582,000 bales. An annual average acreage of 20,445,066 acres was required to produce the quantity of cotton exported. The annual average farm value of exports in these years was \$480,740,000, an annual average of \$6,163,000 more than the average for the seven years when exports averaged 9,356,000 bales.

In that same period 1900-01 to 1933-34, there were 12 years when exports were under 6,599,000 bales. The average annual exports for these years were 5,738,000 bales. It required an annual average of only 17,171,018 acres to produce the quantity of cotton exported, and the annual average value of exports in these years was \$559,147,000 or an annual average of \$84,570,000 more than the average for the seven years when exports averaged the highest.

The farmer paid heavily for those extra acres that he cultivated in the seven years when exports averaged 9,356,000 bales. He planted, cultivated, and picked approximately 5,500,000 acres more annually than he did in the period when exports were around 5,738,000 bales. For the privilege of the extra labor, heavy production, and heavy exports - he paid a yearly penalty of \$84,570,000.

It probably is true that the years of the largest cotton exports have meant the years of the largest profits to the handlers of cotton in general and to the exporters of cotton in particular. The exporter ordinarily handles a bale of the staple on a fixed margin. A child can see that an exporter's interest, so far as his own business is concerned, is in volume. I am afraid that some of those who have argued that acreage control would injure the farmer, have had a direct personal interest in heavy production and cheap cotton, and I am persuaded also that the farmer is coming to understand the real reason for their solicitude.

A producer might ask opponents of the cotton adjustment program this question: Are we to have a program by and for producers or a program by and for processors and handlers? That is a real issue and one that we are not in the least degree inclined to dodge.

It is true, of course, that the reduction in the number of bales of cotton grown has adversely affected the business of cotton exporters and other cotton handlers. It is true that this in turn has caused some unemployment,

perhaps, but does it follow that the farmer is duty-bound to support individuals and institutions beyond him and be ground down into the very dirt to do it? Some are brazenly saying so. Let it be noted that industry has consistently followed the practice of "ploughing" its employees out into the streets and in curtailing its operations generally when it was no longer profitable to continue production.

The policy of adjustment is one that agriculture must follow also. As I see it, we have no other choice than to control our output if we are to avoid a type of very real slavery. Lack of control was a primary cause of the worst depression this country has ever known. Lack of control will see its return.

Speaking of the results of control, I want to ask you a question: Have conditions improved in Texas since 1932? There is but one answer: They have. And that, notwithstanding much propaganda and specious reasoning to the contrary. The very simple explanation for these better times lies in the fact that in 1933 the income of Texas cotton farmers was almost double that of 1932 and in spite of the drought was about 40 percent higher in 1934 than in 1932.

The rise in farm purchasing power in the Cotton Belt since 1932 has in turn been reflected in increased buying by cotton farmers and better times everywhere. During the last 20 months business indicators have pointed to rural customers in the South as the most active in the United States. The improvement that took place in department store sales in the twelve Federal Reserve Districts in 1934 over 1933 was greatest in the Atlanta District, while Dallas and Richmond showed the second and third largest increase.

Sales of general merchandise, as reported by the Department of Commerce in the Southern Region, showed an increase of 23.5 percent in 1934 over 1933. The increase for the Middle Western Region was 21 percent, the Eastern Region 20.5 percent, and the total for the United States 21 percent. Improved conditions have been reflected, too, in rises in postal receipts, insurance sales, automobile sales, and in real estate and building activity. Again, there has been a sharp reduction in the number of commercial failures in the South and the whole financial situation has vastly improved. Net demand and time deposits in eight Cotton Belt States in places having less than 15,000 population amounted to \$374,000,000 in January 1935 as compared with \$253,000,000 in January 1933.

There is one phase of the cotton program, incidentally, which has been but little stressed. From the farmer's viewpoint it is one of the most important features. I refer to the price and crop insurance feature of both the voluntary program and the Bankhead Act. The grower receives his rental and parity payments on cotton regardless of drought, flood, or insect damage. Not only did the producers in the sections most affected by the 1934 drought get their rental and parity payments but they sold their excess exemption certificates to the extent of a little more than \$25,000,000. Texas received more than \$9,000,000--\$9,495,794 to be exact--from the sale of exemption certificates.

In addition, certificates for 232,000 bales, with an approximate value of \$6,500,000, remained in the hands of the growers for use this year or for sale as the producer sees fit.

In our cotton program, we have the first instance in history of insurance against the misfortunes that can and do happen to a growing cotton crop. The cotton adjustment program is price insurance to the producer who makes a crop. It is crop insurance because he receives his adjustment payments and the returns from the sale of exemption certificates if he fails to make a crop. And I have noticed that producers in North Carolina, who had to buy more exemption certificates than producers did in any other State, have not complained. They realize that in another year they may have surplus certificates to sell.

Some who oppose the cotton adjustment program admit that the adjustment thus far has benefited the South and the Nation. But they insist that a continuation is bound to result in disaster.

Human nature being the same now as heretofore, my answer to that is the forces which impelled us to attempt production control in 1933 remain and, so far as I can see, will remain with us from now on. World supply of all cotton has been reduced from a potential total of approximately 46,500,000 bales before the plow-up in 1933, to 39,282,000 bales for the 1933-34 season. Fifty-two percent of the 1934-35 season carry-over is American cotton, a supply that is still far in excess of the balance we are enjoined to secure and to maintain.

The President said not long ago that a return to unregulated and uncontrolled production might lead to 36-cent wheat and five-cent cotton. I think he was entirely correct.

The President in effect said that if, for any reason, any considerable segment of our population finds its purchasing power reduced, the effect is manifest sooner or later upon the entire country. Poverty in the Cotton Belt hasn't paid anybody yet.

Since the close of the war down to 1933, the farmer has constantly lost purchasing power. As it seeped away, business went with it on down to complete collapse in 1932. We have come to associate this with President Hoover's administration and the serious maladjustment in our economic life during that period. We have also come to understand that the half slave and the half free economy of that day which has ground the farmer down into the very dirt is an economy of disaster. In lifting the shackles from agriculture and in recognizing the Nation's responsibility to its great basic industry, we hope to establish an economy of justice and of security. This is the purpose of our program.

There are those who wish we would not ask such questions; but what really did happen to the farmer and to the country? Well for one thing, the Government lifted its tariff walls higher still. We, as a creditor Nation,

refused to permit our debtors to ship us goods in payment. Vainly and futilely we tried to have our cake and eat it too. Our contradictory policy found its most grotesque expression in the Smoot-Hawley tariff of 1930, which raised tariff rates to the highest level ever known and in the millions of dollars "loaned" abroad--dollars that still remain "loaned."

With "borrowed" money--our money, they bought our wheat, our cotton, and our pork until "our money" ran out. Inevitably the day came when we had to say "No" to our friends abroad. Strangely enough, they stopped buying.

You have heard the charge repeated over and over that the Agricultural Adjustment Administration is rapidly destroying the foreign market for American cotton. Cotton, our greatest export crop, was, of course, one of the last commodities to feel the effect of reduced power abroad. We grow better cotton on the whole than any other country in the world. We produce it at a price and in volume that enables us to compete against the world. We expect to continue to do so. As to why our exports have been curtailed during the past two seasons, you find the answer, or most of the answer, in the inability to secure dollar exchange. The reduction in imports by Germany is most striking. That country bought 1,596,921 bales in the first 10 months of the 1932-33 season; 1,227,656 bales in the first 10 months of the 1933-34, and 286,910 bales in the first 10 months of the 1934-35 season.

Germany's lack of purchasing power is known throughout the world. She has resorted to all sorts of expedients in an effort to secure the exchange, with which to buy the raw materials she requires. She attempted a barter deal with the United States by which she would have secured 500,000 bales. With no medium of exchange, Germany can't buy and is out of the market.

Conditions are similar to an extent in other countries which have sharply curtailed purchases of American Cotton.

It must be borne in mind, however, that the reduction in exports has far exceeded the reduction in the consumption of American cotton abroad. Foreign countries during the first 9 months of the 1934-35 season consumed 735,000 bales more American cotton than they bought. They bought heavily in 1931 and in 1932, years when the cotton farmers of the South raised cotton at starvation prices. Our customers abroad know when cotton is cheap. They have bought it at bargain prices a long time.

One of the most frequent criticisms of the cotton adjustment program is that it has stimulated production abroad through the increase in price from American curtailment, and from the maintenance of an artificial disparity with the price of other staples. The disparity has been attributed to the 12-cent loan, which is a separate matter from the cotton adjustment program. The 10-cent loan plan was put into effect in 1933 when it was decided that the farmer should be enabled to hold his product, if he wished, in order to take advantage of an anticipated rise in price.

There is little question in my mind that the 10-cent loan helped the farmer and at the time was economically sound. The loan was raised to 12

cents for the 1934 crop. The American producer benefited, but there are other developments, including an accumulation of stocks outside ordinary channels, which warrant careful consideration. Secretary Wallace has said there will be a loan on the 1935 crop. I know that he and Chester C. Davis, Administrator of the Agricultural Adjustment Act, will study all the facts before determining what the new rate should be. The most I can promise you--and I can promise only so long as we have control--is that we are not going to permit the bottom to drop out of price, which, in my judgment, is a remote prospect, in the first place. If the opposition has been in position to make such a guarantee in the past, I do not know it. And I do not believe they are in position to make such a guarantee now.

There is a normal disparity between American cotton and most of the foreign growths. Our product is better, generally speaking, and consequently commands a better price. The loan might have upset the relationship between American cotton and some foreign staples temporarily, but this disparity has righted itself until the normal relationship has been restored.

For ten years American cotton averaged 3.24 cents a pound higher than Indian cotton on the Liverpool market and for the first eight months of the present marketing season American cotton has averaged only 3.87 cents a pound higher than Indian cotton. For ten years on the same market Brazilian cotton has averaged slightly more than 1/2 cent under American and for the first eight months it has averaged less than 1/2 cent under American. For ten years Egyptian cotton averaged 4.6 cents higher than American, but for the first eight months of the present season it averaged 1 cent higher than American. There has been a good deal of misrepresentation about the relation during this season of American and Foreign cotton prices.

Whatever the future may hold, foreign cotton production was increasing long before the Agricultural Adjustment Administration was conceived. Foreign production in countries other than China has increased since 1891 at the rate of about 150,000 bales annually. The rate of increase in the United States has been only a little more than 100,000 bales a year.

Various factors have caused this increase. Among them has been the persistent trend toward nationalism which has been intensified since the World War. Cotton is sensitive to price and some of the expansion of foreign acreage, a good part of it, in fact, has been dictated by price considerations.

Russia expanded acreage very rapidly from 1928 to 1931, although world market prices were declining. That acreage has been maintained during the depression, for the Soviet desires, above all things, to be self-sufficient. However, as far back as 1915 Russia produced 1,500,000 bales and most of the recent increase in that country is merely a return to previous production.

Internal readjustments in China and Brazil have contributed to the expansion of cotton acreage in these countries in the face of a world price slump. In Brazil excessively low coffee prices have been a factor also.

The production of cotton abroad rose to 13,579,000 in the 1934-35 season, a peak. The production of foreign staple, uninfluenced by our program, however, was 13,478,000 bales in 1933-34. So any attempt to make it appear that the crop control in America during the past two years brought the foreign cotton producer into the picture for the first time is, of course, utterly false.

Although foreign acreage rises and falls with price increases and declines, the tendency, as I have said, has been for an expansion of cotton acreage during the last half century. Regardless of crop control in this country, I think this tendency will continue.

When the price of American cotton goes up, the price of foreign staples tends to follow. It, also, is true that an increase in the return from foreign cotton may tend to increase foreign acreage.

A study by the Bureau of Agricultural Economics leads one to the conclusion that foreign acreage in the 1935-36 cotton year probably would not increase if the price for cotton for 1934-35, had been around 10 cents. On the other hand, a foreign acreage increase for this season of 10 percent or slightly more would have resulted from fifteen cent cotton in 1934-35. Consequently, if the conclusions reached by the economists are correct, an acreage increase of around five percent seems logical for this season in view of the fact that the price averaged 12 cents for the 1934 crop.

I do not feel that the present price of American cotton is exorbitant or, in fact, too high for ready purchases overseas. As I have said, the evidence lends weight to our contention that the primary difficulty with exports is the impediments to international trade. We must realize that the United States has grown up. The frontier has passed. We can no longer escape the consequences of contradictory policies. If we refuse to buy, we cannot sell.

A partial compensation to the farmer for our high tariffs has been the processing tax. You heard a lot about the levy during the recent flurry over the textile situation which brought to the Agricultural Adjustment Administration many proposals. Many operators told us they favored benefit payments to farmers but that some other means of providing it than the processing tax would simply have to be adopted. The only alternative to the processing tax I have heard about or that has been seriously advanced is that the cotton producers be paid out of the \$4,880,000,000 work relief fund. The farmers retorted that they wanted equality with industry and not charity, that they wanted a fixed policy and not a flimsy expedient.

The processing tax is nothing more nor less than a farmer's tariff. It is a compensation in part - and only a part - for the duties that have sheltered industry all these years. When the processing tax comes off, the tariff must come off, too. To insist that the textile industry cannot pay the world price plus the processing tax is merely to insist that the farmer must accept less than that to which he is entitled. I do not believe it is his duty to donate every fourth bale of his crop to anybody. That, in plain

English, is what taking off the processing tax means as things stand today.

In any discussion of processing taxes, the goal of the Agricultural Adjustment Act must be kept in mind. That, as you know, is to give the farmer equal purchasing power, or to enable him to exchange his products for the same quantity of goods he could exchange them for in 1909-1914. Year by year, the farmer has been receiving a smaller and smaller proportionate share of the national income. Even at the crest of the business cycle in 1929, farm products could be exchanged for only 91 percent of other products, on the average, as they could have been exchanged for in the period before the war. By February 1933, the exchange value of farm products for industrial goods had fallen to 50 percent of the pre-war average. Their exchange value for taxes and credit was even less. This disparity was present in the price of every farm product. It was most noticeable in the export commodities, such as cotton, wheat, tobacco and rice.

The processing tax is designed to make up the difference between the market price for cotton and for other basic commodities on which the levy is placed and the parity, or fair exchange value price. The return to the farmer was far below parity during the past season even with the 4.2 cents a pound processing tax on cotton added.

The effect of the processing tax upon textiles was gone over from almost every conceivable angle only a few weeks ago. It has been under study by the President's committee named to investigate the textile situation. There is nothing to show that the cotton levy has had anything to do with the major ills of the textile industry. The tax has only a negligible effect upon the finished cotton goods. The added cost is about three cents on a work shirt and about eight cents on a pair of overalls.

The levy has no effect upon textile exports because the amount of the tax is refunded on goods exported and the amount of the processing tax plus the tariff is added to the cost of imported textiles. Consequently, the tax is not responsible for the increase in importations of Japanese textiles.

The processing tax is the dynamo which turns the wheels of the Agricultural Adjustment program. It provides the funds for the cotton programs and the other programs. If the tax is suspended the result will be the abandonment of the adjustment plans now in effect.

Enemies of the Adjustment Administration realize this, and that is why the complaint that the processing tax is ruining this or that business is heard so frequently.

Every group opposed to the Agricultural Adjustment Act that I have listened to; the processors, the exporters and all who have benefited from the farmers' labor, profess sympathy for him. All, or almost all, want to extend some sort of aid to him just so long as it is not the aid he is now getting. What are some of the alternatives proposed?

First, there are those who insist that we leave the farmer alone. It takes only ordinary eyesight to spot many a politician and old line reactionary in this procession. Nevertheless, it is quite true there are some sincere and high-minded individuals who are genuinely alarmed lest the farmer be regimented, or lest he surrender some of the rugged individualism that has reduced him to rags in the past. I feel, however, they have gained most of their knowledge of farming from an easy chair far removed from the cotton fields. This talk of farm regimentation is, of course, utter nonsense.

In the last analysis, the success of the cotton programs and other programs depends upon the growers themselves. That is not only true of the voluntary programs but of the Bankhead Act also.

Among the most persistent charges against the cotton program has been that it has resulted in the displacement of an appreciable number of tenants and other farm labor. The estimates vary, ranging downward from the figure of "millions" used by Governor Talmadge of Georgia to the hundreds of thousands others profess or find. I would be the last to deny that there have been individual instances in which farm tenants have been unable to find land to cultivate. That is true every year. But what in fact is the real answer to the charge?

It is not necessary to remind you that over a long period of years the Southern cotton grower, both white and black, has been forced to use his entire family to raise his crop. He had to send his children and his wife to the fields to eke out an existence. The answer to the charge is that the cotton program has released women and children from the cotton fields in countless thousands of instances for the first time in history. The children have gone to school and their mothers have devoted their time to the homes where they belong.

The release of the land has enabled the production of more feed and food for home use. Diversification has been preached in the South for years but neither the land nor the opportunity was available in many instances to carry it out. During the past two years, as a result of the cotton adjustment program, landlords and tenants have had 25,000,000 acres of cotton land on which to grow food and feed crops. And they have had time to cultivate these crops.

A return to the conditions which produced our recent crisis is unthinkable. What other plan is proposed as a substitute for the Agricultural Adjustment Act? An export bounty is a frequent answer. I have seen no coherent recommendations for replacement of the present act which did not include some variation of the bounty principle. They all aim at unrestricted production and we have had enough of that.

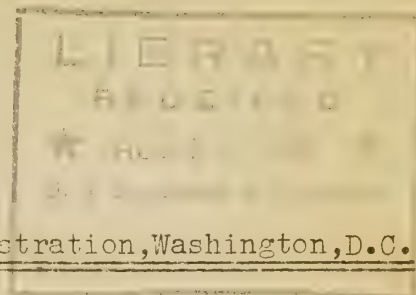
The inevitable result of the so-called McDonald allotment plan, about which you have heard much, would be a glut of the staple which would make our present surplus small by comparison. The losses on export sales would grow larger and larger, winding up in utter collapse.

As a concluding word, let me express the hope that out of this discussion and investigation comes a better understanding of our entire problem. Here I would point out the fact again that the value of a bale of cotton, including seed, rose from \$37.42 in 1932 to \$90.93, including seed and payments, in 1934 and that lacks just \$2.62 of being two and a half times what a bale was worth in 1932.

It is time that Texas industry and Texas business realize where their real economic interest lies. A continuation of huge crops and huge exports will do no good unless the price to the farmer is sufficient to maintain his purchasing power. We must decide whether our duty lies in supporting the comparatively small number who are adversely affected by the program, or whether to support the millions who till the soil and upon whose prosperity rests the safety of all. Again the issue is clear cut and we must meet it. It cannot be dodged. I am convinced that the policy that is best for agriculture is the policy which is best for us all.

IN SEARCH OF NEW FRONTIERS

By Henry A. Wallace,
Secretary of Agriculture



U.S. Department of Agriculture, Agricultural Adjustment Administration, Washington, D.C.

H I G H L I G H T S

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A SPIRITUAL DESCENDANT of Lincoln, Theodore Roosevelt, made himself plain when in 1912 he protested "against any theory that would make of the Constitution a means of thwarting instead of securing the absolute right of the people to rule themselves and to provide for their own social and industrial well-being. All Constitutions...are designed and must be interpreted and administered so as to fit human rights... There once was a time in history when the limitation of governmental power meant increasing liberty for the people. In the present day the limitation of governmental power, of governmental action, means the enslavement of the people by the great corporations who can only be held in check through the extension of governmental power." . . . Page 10

IT IS POSSIBLE that if our tariff and trade policy during the 20's had been consistent with our new creditor position, the device of the processing taxes would not have been necessary. Our political and business leaders, however, chose to raise tariffs rather than to lower them and thereby to prevent the importation of goods by means of which foreign nations could pay their debts to us. It is true there have been tariffs in effect on many of our products which we normally produce for export, but a tariff on an export crop is almost always a paper tariff. Thus, in a normal year the tariff on corn might as well be a million dollars a bushel for all the effect it will have on domestic price. The processing tax, on the contrary, is comparable with the usual industrial tariff in that it actually does procure benefits for the producer. Page 7

THERE IS A BITTER humor in the howl of indignation against the processing tax in certain quarters. The processing taxes have been in effect for two years. American industry has been collecting its tariff protection from consumers ever since the first tariff was passed on July 4, 1789. How many billions of dollars that has meant to industry is beyond computation. Page 8

IN SEARCH OF NEW FRONTIERS

Address of Henry A. Wallace, Secretary of Agriculture,
at the Biennial Convention of the National Federation of
Business and Professional Women's Clubs, Seattle, Washington,
July 18, 1935.

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I am delighted to be with you and to take part in a convention whose threefold theme asks women to unite for effective democracy, security, and opportunity. It is the theme of the hour. If the women of the land will hammer away at it with persistence and skill, it is possible that slower-witted man may ultimately get the idea. You may really be starting something here.

You have dedicated this banquet to The Magnificent Pacific, and to the goal of perpetual peace among all nations bordering the Pacific. For this goal there can only be approval. Because of the trend of my remarks tonight, however, I wish to make another use of the Pacific, and that is to remind you that here, on the shores of the Pacific, we have reached the end of the American real estate frontier.

In less than 300 years our people conquered, exploited, and settled a country as large as the whole of Europe. Things happened to our national psychology in the process. With a frontier always awaiting conquest, as the historian Turner has pointed out, it was as if we were always beginning our national life over again on that outer edge. We were a young Nation, on the march. The East became the "old country", the frontier the new; it was mother country and her colonies all over again. The East had the money, a growing respect for property and for political and economic conservatism; the western frontier had the debts, valued Jefferson's rights of man far above property rights, and openly espoused majority rule and other radical notions.

The apprehension of the East arose early, and has stayed late. Gouverneur Morris of Pennsylvania, in the Constitutional Convention of 1787, sternly declared that "The busy haunts of men, not the remote wilderness, are the proper school of political talents. If the western people get the power into their hands they will ruin the Atlantic interests." Accordingly Morris almost succeeded in writing into the Constitution a provision that the Atlantic States should always have a larger representation than the western States in Congress.

Similarly that representative of Virginia tidewater aristocracy, John Randolph, called the western desire for majority rule a belief in "King Numbers", and in common with many others he feared an unchecked democracy as a menace to minority rights, established institutions, and vested interests. As late as 1847 Justice Campbell, writing to Calhoun, shuddered at the views and behavior of the frontiersmen. "I have very great fears", he wrote, "that the existing territories of the United States will

prove too much for our Government. The wild and turbulent conduct of the members upon the Oregon question and their rapacity and greediness in all matters connected with the appropriation of the revenues induces great doubt of the propriety of introducing new States into the Union as fast as we do...I do not wish to increase the number till the New States already admitted to the Union become civilized."

The point of view lingers, for it was not so long ago that the phrase, "sons of the wild jackass", was born.

Yet despite these sectional differences, the conquest of a physical frontier contributed to national unity. For one thing, as a youthful Nation on a rich continent we worshiped growth, and the limitless frontier swallowed all contrary philosophies. Cotton Mather might complain that in the new settlements the "untaught families are like to Perish for Lack of Vision", and a long line of eastern statesmen might fear western radicalism, but the westward course of empire was too powerful a national drive to be stopped by the complaints of the pious or the fears of the standpatters.

For another thing, in keeping with American traditions, the existence of a vast unconquered frontier made effective democracy relatively easy, offered limitless opportunity and a large measure of economic security to every able-bodied citizen. In times of crisis, the frontier was our safety-valve. Industry, hit by a slump in demand, could advise the unemployed to go West. Eastern farmers, drowned by the flood of produce from cheaper and richer lands to the west, could carve out a new stability for themselves in the western plains.

In such a situation competitive capitalism can proceed under full steam. There is no popular demand for any restrictions on a condition of free competitive endeavor wherein every individual goes forth to grab all he can wherever and from whomever he can.

But once a continent is conquered, once the frontier is gone and the country begins to fill up, trouble begins. The prime requisite for a successfully operating competitive capitalism--abundant resources and relatively few people to use them--has disappeared. Other forces which seem inherent in capitalism begin to operate. Competition for natural resources becomes dangerous to national welfare. Capitalistic survival of the fittest may come to mean merely survival of the shrewdest or the luckiest. Economic freedom, if it means freedom to amass millions upon millions of dollars, freedom for a few to control the economic destinies of millions of their fellow-citizens, must end in a species of despotism which no society can tolerate. When the frontier is gone, capitalism's traditional emphasis on the individual as an unrestricted money-making machine collides with new realities, the chief of which is that in a modern, settled land, with its delicate economic machinery and its obligations of interdependence, every man cannot do wholly as he pleases.

By our conquest of the frontier, we have lost an economic and social safety-valve. As believers in capitalism, we have destroyed the conditions which permitted it to work to best advantage. As believers in national unity, we have lost an effective unifying force.

Every nation continues as a nation by virtue of certain unifying forces and despite the presence of many dividing forces. A common language, a common racial inheritance, common traditions, and common political ideals can hold a people together, but in times of crisis even more powerful forces may be required. In such times nations turn in despair to the conquest of a frontier, or to the prospect of imperialistic gain (foreign frontiers), to war or the threat of war, to monetary inflation, to communism or to fascism.

We have had experience with several of these forces. Perhaps our experience with the conquest of the physical frontier has been happiest of all, even though a few generations of unrestricted exploitation have presented us with grave problems of conservation and utilization. In any event, the western frontier is now only a memory. We never again can unite on a great drive into the new lands, the virgin forests, and the rich mines of the West.

As for the other available unifying forces, we know something about imperialism, but I can detect no sentiment in the United States today for an imperialistic drive. Similarly with war, or the threat of war. If we can keep our eyes open, if we can practice neutrality as well as preach it, we surely have better than an even chance of staying out of war.

Communism and fascism have a striking similarity in their ability to act as a unifying force. They build up a sense of national unity much like the unity engendered by war. Like war, they begin and end with physical force, and their final outcome is likely to be as futile and as devastating as the final outcome of war.

Many competent observers believe that communism has little chance to take hold in America but that fascism, in some typical American manifestation, might easily follow a period of national chaos. There is a danger that the feudalistic aspect of fascism will appeal to certain industrialists who consider it perfectly proper for enormous economic power to be concentrated in their hands, and who would embrace fascism in order to stave off the arrival of a genuine economic democracy.

Finally there is the possibility of inflation. Inflation temporarily achieves unity of purpose by distorting men's judgment as to eventualities. It arouses universal excitement and hope of millennial gains just as war or fascism or communism does, and like them fades out as the excitement passes away and the distorted judgments recover perspective.

If only those who talk so glibly about monetary matters would see that beyond money there are always certain physical realities. Beyond money there is always and everlastingly the problem of proportioning the maximum productive efforts of the people. Where there is basic disproportion of these productive efforts, the disproportion sticks out like a sore thumb the moment the flood of money dries up. Inflation temporarily conceals this problem, much as the foreign loans of the twenties concealed the true nature of our foreign trade problem.

If we no longer have a physical frontier to conquer as a unifying force, if we haven't the appetite for imperialistic drives, if we scorn war or communism or fascism or inflation, how can we obtain the necessary national unity of purpose? The old efforts to obtain unity failed to provide anything enduring, it seems to me, because they were based on greed, and prejudice, and fear, and hatred, on the hope of banding together to resist, grab, or conquer. Is there somewhere a new frontier which can provide the necessary national unity?

I am convinced that there is, and I believe it will be found in the long struggle to achieve an economy of abundance. The physical base is obvious. We know that technology has made abundance possible, and that increasing numbers of people are aware that this is so. The real struggle will be in the domain of the mind and spirit. The test will come when men are asked to obey the implications of economic interdependence, and to substitute cooperation for conflict as the basic rule of their economic life.

No one has the blueprints for this frontier. No one can say how long it will take us to conquer it, or whether, in truth, we can conquer it. But to stop short of an attempt, to sit supinely by, paralyzed by the cruel paradox of want in the midst of plenty, would be to stamp us as a Nation mentally defeated and spiritually impoverished.

The first step will have been taken when a substantial majority of the people acquire an unshakable faith in the possibility of an economy of abundance. The next step will have been taken when there is a clear recognition of some of the more obvious obstacles in the path, and when there is agreement on how to dispose of them.

Let me make it plain that I am not talking about the millennium, but merely about an economic and political situation in which there is a consistent effort to live up to the technological possibilities of the age.

In the path of any substantial program to improve our economic situation and develop a national unity of purpose, we shall find such obstacles as these: The fact of economic oligarchy in a political democracy; the fact of continual warfare among individuals and groups for larger slices of the national income, and for bigger helpings of governmental power; the fact of economic unbalance between major producing groups; and, finally, the possibility that the Federal Government may be powerless, under prevailing interpretations of the Constitution, to deal with economic oligarchy, with conflicts between groups, or with economic unbalance.

It has been said that the famous controversy between Jefferson and Hamilton ended in a victory--and a defeat--for each. Jefferson won in politics, but Hamilton won in economics. The modern danger is that Hamilton's economic victory, which laid the groundwork for an economic oligarchy, may be secure from attack by any conventional political victory.

It seems to me we have reached a high degree of economic oligarchy in the United States when the 36,000 families with the greatest income received as much as the 11,000,000 families with the least income. This was in 1929. The disparity is not lessened any by the figures on individual

bank deposits. In November 1934 the Federal Deposit Insurance Corporation reported that the 800,000 accounts over \$5,000 each averaged \$25,000, while the remaining 50,000,000 accounts averaged \$325 each.

I question whether the 36,000 families at the top of the economic pyramid averaged 300 times as meritorious, or hard-working, or capable, or intelligent as the average family among the 11,000,000 at the bottom. Judging from what I know about differences between individuals of the same species in nature, I would question whether they are, on the average, more than 10 times as capable and intelligent. It would seem that the economic rules of the game have been loaded to produce differences far greater than would be expected in a reasonable society.

The mere fact that one man has a million dollars, while another has only 10, however, is less significant than the power the first man has over the second. It is the existence of this power which makes all this talk of rugged individualism and freedom on the part of our wealthiest citizens a ghastly jest. Where is the freedom for the man who knows only one skill, only one occupation, and who must accept a pittance for his labor or else go on relief? How much freedom of choice has he? What happens to his freedom of choice when his industry shuts down, when depression comes along?

In the days of individual self-sufficiency and individual enterprise, it was accurate to talk of freedom of choice. In a day when 200 non-financial corporations control more than half of all industrial assets--200 corporations out of more than 300,000--the average individual has much less than a 50-50 chance for individual enterprise. The influence of large-scale corporations extends far beyond their share of assets, extends into the price and production policies of our whole economy. The result is economic oligarchy, and the menace to political democracy is obvious.

Ironically, this has happened with the aid of Government. The corporate device is granted to a group by Government, but the Founding Fathers would be astonished and dismayed to see how this legal device has been stretched to permit the rise of huge institutions which are both a method of property tenure and a means of organizing economic life. Besides the right to incorporate, tariff and banking privileges were early won from Government by business, and I see no disposition to relinquish any of them.

When one economic group profits from the use of governmental powers, the remaining groups may have to fight for comparable powers in self-defense. Until 1933 neither labor nor agriculture, however, was very successful in gaining the ear of Government. What they were unable to obtain by governmental aid, they tried to obtain by the advantages of voluntary organization. Even in this field they were hampered by the governmental powers already possessed by business, and by the dominance of business influence in government.

The legislation of 1933 attempted to equalize the governmental powers possessed by each group. Many of us believed that it would be possible for all these groups to so use their governmental powers that profit would be the reward for abundant balanced production, rather than the reward for clever bargaining and the economics of scarcity. Our hopes have been fulfilled only in part, and for reasons with which you are familiar.

The conferring of governmental powers on any group necessarily calls for a deep sense of obligation on the part of the group toward the Government and the people. If labor is given governmental powers, labor leaders must realize that there is a point beyond which labor cannot go in raising wages and reducing hours. If agriculture is given such powers, farm leaders must see that there is a point beyond which farmers cannot go in reducing acreage and raising prices. And business leaders, in possession of governmental powers, must come to see that the people will not stand for curtailment of production to half factory capacity in order to sustain abnormal profits, when by running the factories to full capacity the business will give modest profits. I have long felt that the best brains of all groups must unite in overcoming legitimate physical handicaps, not in figuring out ways in which a specific group may benefit at the expense of the others.

The conferring of governmental powers to producing groups leaves the interests of consumers unprotected, unless specific protection is written into the legislation. The corporate power, and the tariff power, provide no such protection. Consumers have always been without adequate protection against the abuse of these powers. So far as agriculture is concerned, I am glad to be able to say that the Agricultural Adjustment Act includes a clause specifying that no larger percentage of the consumer's dollar may be taken for farm products than was the rule during the pre-war period.

My contact with farmers leads me to believe that they will go as far as, or further than either labor or industry in using the centralizing power of Government in such a way as to preserve the interest of the consumer. Under the terms of the Adjustment Act these special powers of Government are to be used when the farmer is getting less than his fair share of the national income as measured by pre-war standards. These powers are not to be used beyond the point at which that fair share is obtained.

The processing tax is the farmers' tariff, but a tariff to be used only within the limitations of justice to the consumer. It is unfortunate that our conventional tariff has no ceiling written into it like that incorporated in the processing tax. Possibly consumers may wish to concentrate their attention in the future on writing such a ceiling into our tariff schedules.

I have said that the processing tax is the farmers' tariff. It is more definitely and literally the farmers' tariff-equivalent, because it enables farmers producing such exportable products as cotton, tobacco, wheat, and lard, the market for which has to a considerable extent been destroyed by the tariff, to adjust themselves to the post-war creditor position of the United States with a minimum of hardship both to themselves and to the Nation.

It is possible that if our tariff and foreign trade policy during the 20's had been consistent with our new creditor position, the device of the processing tax would not have been necessary. Our political and business leaders, however, chose to raise tariffs rather than to lower them and thereby to prevent the importation of goods by means of which foreign nations could

pay their debts to us. It is true there have been tariffs in effect on many of our products which we normally produce for export, but a tariff on an export crop is almost always a paper tariff. Thus, in a normal year the tariff on corn might as well be a million dollars a bushel for all the effect it could have on domestic price. The processing tax, on the contrary, is comparable with the usual industrial tariff in that it actually does procure benefits for the producer.

Export agriculture has been the last to get into the tariff game. I believe it will enthusiastically get out of it the moment industry and labor give some indication that they are ready to reduce tariffs on industrial products when the prices of those products are maintained by tariffs above the pre-war relationships. Agriculture will go more than half way in meeting industry and labor in any effort of this sort to the end that consumers may be protected and that a continuing fair balance between the product and prices of agriculture, labor, and industry may be maintained. Without such a fair balance under present conditions of production, transportation, and communication, the national unity can not indefinitely endure.

There is a bitter humor in the howl of indignation against the processing tax in certain quarters. The processing taxes have been in effect two years. American industry has been collecting its tariff protection from consumers ever since the first tariff was passed on July 4, 1789. How many billions of dollars that has meant to industry is beyond computation.

If farmers were to use governmental powers to induce scarcity, to take food and fiber away from the American consumer, those powers should be denied them. But they have not so used governmental powers. The unassailable fact is that agriculture never has subscribed to a policy of food scarcity. I believe it never will.

It may help city consumers to grasp what I mean if they will realize that somewhere out in the Nation's wheat field there is a third of an acre of wheat, on the basis of average yields, which is being raised for each city dweller. There is approximately three-quarters of an acre of corn which goes to each average consumer largely in the form of pork and beef, and down in the cotton field there is a patch of perhaps one-seventh of an acre which produces the cotton fiber used by each individual in the country.

The adjustment program has not touched and will not touch that third of an acre out in the wheat field, that three-quarters of an acre in the Corn Belt, nor that seventh of an acre of cotton down South. These are raised for American consumers just as they always have been.

The 40 million acres which were taken out of production last year represented the portion of the Nation's farm production which formerly went to Europe and for which there are now no buyers.

So far are we from a policy of scarcity that despite the worst drought in our history, we had on July 1 this year a larger wheat carryover than we had in any of the so-called prosperous years between 1919 and 1928, and there will be a cotton carryover nearly twice the normal. So far are we from a

policy of scarcity that there is more meat available for consumers today than would have been possible had there been no AAA. To the uninformed this may seem an extreme statement. Let me remind them that when the Government bought and processed nearly 10 million head of cattle and sheep last summer, it prevented them from becoming a total loss through starvation in the drought areas. This action made available nearly a billion pounds of meat which otherwise would have been wasted. When the AAA processed those famous six million little pigs in the fall of 1933, thereby saving a distressed hog market from a complete breakdown, and providing food for relief purposes, it also gave the remaining livestock on farms that much more feed and forage to live on in the desperate drought-stricken days of 1934. These cattle and pig programs, plus the encouragement given by the Department of Agriculture to increasing the acreage of feed and forage crops in 1933 and 1934, definitely minimized the damage which the drought of 1934 might have done to both farmers and consumers.

The facts of the farm situation early this spring called for expansion rather than reduction of acreage. It was not because foreign purchasing power for our farm products had recovered to any considerable degree; it was simply because in 1934 we suffered the most severe drought in our history. Accordingly, we are determined to bring about an expansion in basic food production above 1934, in order to protect American consumers from any possibility of shortage.

Present indications are that there will be harvested in the United States this year 40 million acres more of crops than were harvested last year.

In short, our agricultural policy is an adjustment policy providing for increases when such increases make for the welfare of the consumer, and for decreases when such decreases make for the welfare of the farmer. The policy was one of reduction in 1933 because the facts demanded it; the policy is one of expansion today because the facts demand it.

At this point a question arises: Can any great group, such as agriculture or labor, legally use governmental powers to correct economic unbalance, or can the whole people, through government, legally defend themselves against either economic oligarchy or the chaos that results from the continual battling of conflicting groups? In other words, is economic self-government in these United States constitutional? Is it going to be possible for the great key economic decisions to be made by all who will be affected by such decisions, or must those decisions be left in the hands of the few at the top?

Such questions must be raised today because when farmers and laboring men ask for a delegation of federal power equivalent to the tariff or the corporate form of organization, they are in danger of being met by some such statement as this: "It is not the province of the Court to consider economic advantages or disadvantages of such a centralized system. It is sufficient that the Federal Constitution does not provide for it."

There will be many to disagree with that view. There will be even more who will agree that many of our economic problems today are national, and that national problems can only be attacked and solved nationally. The depression did not afflict only Seattle, Chicago, and New York. It did not descend upon Iowa and leave Pennsylvania untouched. Why pretend that it did?

About 20 years ago a distinguished statesman, Elihu Root, wrote that "The new conditions incident to the extraordinary industrial development of the last half-century are continuously and progressively demanding the readjustment of the relations between great bodies of men and the establishment of new legal rights and obligations not contemplated when existing laws were passed or existing limitations upon the powers of Government were prescribed in our Constitution."

In other words, Mr. Root accepted the industrial revolution as fact, saw that it could not be repealed or waved away, and conceived it the duty of society to adjust legal rights and obligations, and the powers of Government, to the fact, rather than attempt to fit the fact to existing statutes.

Our outstanding American statesmen have invariably been realists. The men who wrote the Constitution were authorized only to revise the Articles of Confederation, but the emergency was so great, the need of union so acute, that they exceeded their authority and wrote a new constitution. Jefferson moved in this spirit when he negotiated the Louisiana Purchase, Lincoln when he declared the necessity for reversing the Dred Scott decision, and later when he issued the Emancipation Proclamation. In his debates with Douglas, Lincoln made his intention perfectly plain. "Somebody has to reverse that decision", he declared, "since it was made; and we mean to reverse it, and we mean to do it peaceably."

A spiritual descendant of Lincoln, Theodore Roosevelt, made himself equally plain when in 1912 he protested "against any theory that would make of the Constitution a means of thwarting instead of securing the absolute right of the people to rule themselves and to provide for their own social and industrial well-being. All Constitutions. . . are designed and must be interpreted and administered so as to fit human rights. . . There once was a time in history when the limitation of governmental power meant increasing liberty for the people. In the present day the limitation of governmental power, of governmental action, means the enslavement of the people by the great corporations who can only be held in check through the extension of governmental power."

Most of us have always assumed that the prime purpose of the Constitution was to "form a more perfect Union", and to maintain in such a Union the rights of man and the democratic processes. Have we been wrong all this time? Was the freedom for which our forefathers battled merely the freedom for large-scale business and finance to do as they pleased? I am reluctant to agree with the cynic who recently defined government aid as "Public money poured into private enterprises", and government interference as "The idea that it ought to be paid back."

When our modern Liberty Leaguers quote Jefferson on freedom, I wish they would also quote his opinion that while equal distribution of property is impossible, legislation cannot provide too many devices for subdividing property. They might then follow that with his remarks on the necessity for adapting our human institutions to whatever great changes the times produce.

"Each generation", Jefferson went on, "is as independent of the one preceding, as that was of all which had gone before. It has then, like them, a right to choose for itself the form of government it believes most promotive of its own happiness, and it is for the peace and good of mankind, that a solemn opportunity of doing this should be provided by the Constitution; so that it may be handed on, with periodical repairs, from generation to generation, to the end of time, if anything human can so long endure."

Now that the Nation is approaching maturity, we face the necessity of discovering that principle of unity which provides most fully and justly the basis for an enduring relationship of the several regions and groups to the Federal Union. It must be a unity which will allow abundant room for diversity within it, and which will permit simultaneous centralization and decentralization, -- centralization of certain powers to permit a national approach to national problems, decentralization of certain administrative functions to permit a rebirth of democracy in every township in the land.

No one knows today with any certainty just which, if any, amendments to the Constitution may be necessary in order to put such a principle of proper union into action. We do know that it has not been politically feasible to use the federal unity of the United States since the World War in any manner that would permit a fundamentally sound approach to our long-run economic and political problems. Gradually the issue is being drawn. I hope it will be debated at length in every convention, in every school-house, of the land.

